A STUDY ON DEALER SATISFACTION TOWARD DAVANGERE SUGAR COMPANY WITH REFERENCE TO KARNATAKA STATE

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Abstract

The Davanagere Sugar Company Limited (DSCL), a joint sector undertaking promoted by KSIIDC, KAIC and the agriculturists of Davanagere Taluk was incorporated in the year 1970 and commenced commercial operations in October 1974 with an installed capacity of 1250 TCD. The factory is situated at Kukkuwada village, about 18 kms away from Davangere city (Davangere Taluk/District). In the year 1995. The study gives the industry profile of the sugar industry, company profile which includes the different services, work flow, competitor’s information and future prospects of the company. The Study titled “A study on “Dealer satisfaction toward Davangere sugar company with reference to Karnataka state”. For this study, questionnaire was used as the research instrument to describe and assess the satisfaction of the dealers. A structured questionnaire was distributed to the Respondents. The questionnaire given to the participants aimed to evaluate their Opinion and satisfaction towards davangere Sugar Company. In general, the results were evaluated for this studying order to determine the ‘dealers’ opinion and satisfaction towards davangere sugar company.

Results showed that dealers are highly satisfied with the service provided by the Davangere sugar company. So most of the dealers are highly satisfied business relationship with the davangere sugars. And most of the dealers are highly satisfied towards credit facility of the davangere sugar and some dealers are highly dissatisfied with the price of the sugar in davangere Sugar Company and promotional activity of the company.

Key Words: Sugar Industries; Davangere Sugar Industry; Sugar Industries’ Dealers And Analysis of Satisfaction Level of Dealers.

Industry Profile

General Introduction

It is thought that cane sugar was first used by man in Polynesia from where it spread to India. In 510BC the emperor darius of what then Persia invaded India where he found “the reed which gives honey without bees”. The secret of cane sugar, as with many other of man’s discoveries, was kept a closely guarded secret whilst the finished product was exported for a rich profit.

It was the major expansion of the Arab people in the seventh century AD that led to a breaking of the secret. When they invaded Persia in 642 AD they found sugar cane being grown and learn how sugar was made. As their expansion continued they established sugar production in other lands that they conquered including North Africa and Spain.

The Indian Sugar Industry

India is the largest consumer and second largest producer of sugar in the world. The Indian sugar industry is the second largest agro-industry located in the rural India. It is the second largest agro-processing industry in the country after cotton textiles. With 566 operating sugar mills in different parts of the country, Indian sugar industry has been a focal point for socio-economic development in the rural areas. About 65 million sugarcane farmers and a large number of agricultural laborers are involved in sugarcane cultivation and ancillary activities, constituting 7.5% of the rural population. Besides, the industry provides employment to about 2 million skilled/semi skilled workers and others mostly from the rural areas.

India is the only country in the world that produces plantation white sugar. All other countries are producing either raw sugar or refined sugar or both. Thus the processing capacities are quite different and also are the quality of sugar. Sugar production commenced in 1920’s but it got industry status in late 20’s/early 30’s when India had 29 sugar mills producing just 100000 tons of sugar sought tariff protection. Sugar production picked up under the Sugar Industry Protection Act passed in 1932 and country became self sufficient in 1935. Also cane-pricing act was enforced to provide good cane price to farmer. This was followed by land reforms putting ceiling on land holdings to protect small farmers, formation of cane grower co-operatives and setting up of sugar mills jointly with farmers called as co-operative mills on ownership and sharing basis. Today this sector produces 60% of country’s production.

The industry not only generates power for its own requirement but surplus power for export to the grid based on by-product-Bagasse. It also produces ethyl alcohol, which is used for industrial and potable uses, and can also be used to
manufacture Ethanol, an ecology friendly and renewable fuel for blending with petrol. The sugar industry in the country uses only sugarcane as input; hence sugar companies have been established in large sugarcane growing states like Uttar Pradesh, Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Andhra Pradesh. In sugar year (SY) 2006-2007, sugar production in the country is provisionally estimated at 283.28 lakh tones which were 194.94 lakh tones in the year 2005-2006. The production of sugar was 271 lakh tones during the year 2006-07. During the current season (2007-08) the production is 265 lakh tones.

The center original sugar production estimate of 220 lakh tones for 2008-09. The Government de-licensed the sugar sector in August 1998, thereby removing the restrictions on expansion of existing capacity as well as on establishment of new units, with the only stipulation that a minimum distance of 15kms would continue to be observed between an existing sugar mill and a new mill. There are 566 installed sugar mills in the country with a production capacity of 180 lakh Million tones of sugar, of which only 453 are working. These mills are located in 18 states of the country. Around 315 of the total installed mills are in the co-operative sector, 189 in the private sector and 62 in the public sector.

Industry Structure

Indian sugar industry can be broadly classified into two sub sectors, the organized sector i.e., manufacturers of traditional sweeteners like guru and khandisari. The letter is considered to be a rural industry and enjoys much greater freedom than sugar mill. The production of traditional sweeteners guru and khandisari is quite substantial. Though the trends indicate a progressive shift from traditional sweeteners to white sugar over the years, they still account for about 37% of total sweetener consumption in India. The breakup of consumption of sugar, guru and khandisari is as given below. Since the sugar industry in the country uses only sugarcane as an input, sugar companies have been established in large cane growing states like Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, Punjab, Gujarat, Uttar Pradesh leads the tally by contributing 24% of the country’s total sugar production and Maharashtra stands next with 20% contribution.

The formers co-operatives own and operate the largest chunk of the industry’s total capacity. They are concentrated primarily in Maharashtra and eastern Uttar Pradesh the largest number of sugar companies in the private sector is located in southern India, in the states of Tamil Nadu, Andhra Pradesh and Karnataka. Out of 453 sugar mills in the country, 252 are in the co-operative sector, 134 are in the private sector and 67 are in the public sector. Besides 136 units in the private sector various stages of implementation. A few such units are under implementation in the co-operative sector as well.

Current Position of Sugar Industry/ Scenario in India

However the likely sustenance of firm global prices would permit export of around 20lakhs Million Tone of sugars Per annum for the next two sugar season. There by easing the pressure domestic stocks. 2007-08 on words sugar year refers to the period October to September.

International

Sugar prices likely to remain firm over the medium term for most of the late 1990s and clearly 2000 prices in international market remained in the range of Us$ 200-250 MT but 2004 prices have firmed up and are currently at around Us$ 450 MT.

Key Success Factors

1. Cane development activities.
2. Level of integration.
3. Capital structure.
4. Regulatory risks.

Problem of Sugar Industry

1. Weak representatives.
2. Poor and patronage based management system at all levels.
3. Lack of accountability.
4. Excessive deduction and taxation of farmer’s income.
5. Delayed payment to farmers.
6. Inefficiency in service provisions and payment.
7. Poor accountability systems.
8. Poor marketing and distribution policy.
9. Negative effects of regional trading system.

Historical Industrial Development

India has been known as the original home of sugarcane and sugar. Indians knew the art of making sugar since the fourth century. However the advent of modern sugar industry in India dates back to mid 1930s when a few vacuum pan units were established in the ub tropical belts of Uttar Pradesh and Bihar. Until the mid 50s, the sugar industry was almost wholly confined to the states of Uttar Pradesh and Bihar. After late fifties or early sixties the industry dipped into northern India, western India and other parts of northern India.
India is largest consumer and second largest producer of sugar in the world. The sufficient and well distributed monsoon rains, rapid population growth and substantial increase in sugar production capacity have combined to make India the largest consumer and second largest producer of sugar in the world. The Indian sugar industry has not only achieved the singular distribution of being one of the largest producer of white plantation crystal sugar in the world but has also turned out to be a massive enterprise of gigantic dimensions. With over 450 sugar factories located throughout the country, the sugars industry is almost the largest agro processing industries, with an annual turnover of ₹150bn. It plays a major role in rural development and its importance far India stretches far beyond the role of a sweetener supplier.

The sugar factories located in various part of the country work as nuclei for development of rural areas by mobilizing rural resources and generating employment, transport and communication facilities. Over 45mn farmers, their dependants and a large mass of agricultural labour are involved in sugarcane cultivation, harvesting and ancillary activities constituting 7.5% of the rural population. The sugar industry employs over 0.5mn skilled and unskilled workman, mostly from the rural areas.

Global Scenario (International Trade Opportunities)

International trade is of strategic importance to India as it can help to maintain stability in the domestic market, despite the cyclicality in production. If there is a sugar surplus either due to excess production or due to greater economic attractiveness of cane for ethanol cogent in the further, exports could be used if the surplus cannot be managed in the domestic market. Acceptability as a credible exporter will provide the Indian sector an alternative set of markets for diverting surplus production. Similarly for diverting surplus production. Similarly, in case of deficits, raw sugar imports could help bridge the gap.

Globally, in most of the key geographies like Brazil Thailand, regulations have a significant influence on the sugar sector. Perishable nature of cane, small farm landholding and the need to influence domestic price; all have been the drivers for regulation. In India, too, sugar is highly regulated. Hence 1993, the regulatory environment has considerably sealed, but sugar till continue to be an essential commodity under the essential commodity act. There are regulations across the entire value land demarcation, sugarcane price, sugarcane procurement, sugar production and sale of sugar by mills in domestic and international markets. However, fundamental changes in the consumer profile and the demonstrated ability of the sector to continuously ensure availability of sugar for domestic consumption has diluted the need for sugar the need for sugar to be considered as an essential commodity. According to a recently conducted nationwide survey, nearly 75% of the total non-levy sugar is consumed by industrial, small business and high income household segments. Further, even for a low income household, 10% increase in sugar price would result in less than 1% increase in the 3 monthly food expenses.

The main Market Players in Karnataka.

- The Mysore Sugars Company. (Mysore)
- The Godavari sugars mile ltd.(Godavari)
- The Gangavati sugars ltd.(Gangavati)
- Bannari Amman sugars ltd.(Gangavati)
- Sri Renuka sugars ltd.
- Sri Prabhulingeshwara sugars and chemicals ltd.
- Shamanur sugars ltd.(Duggati)
- Sriguppa sugars and chemicals.(sriguppa)

Company Profile

(a) Brief Background of the Company

Davanagere Sugar Company Limited (DSCL), a joint sector undertaking promoted by KSIIDC, KAIC and the agriculturists of Davanagere Taluk was incorporated in the year 1970 and commenced commercial operations in October 1974 with an installed capacity of 1250 TCD. The factory is situated at Kukkuwada village, about 18 kms away from Davangere city (Davangere Taluk/District). The company went into commercial production in October 1974 and due to Government policy (de-control of sugar industry and lower realization of sugar-free sale @ Rs.1.60/kg & Rs. 2.10/kg) then prevailing especially during the years 1977 onwards, the company incurred losses and was declared as a Sick Unit in 1986-87. IDBI was appointed as OA. As result of the reliefs & concessions extended by Financial Institutions, the company started earnings profits from the year 1986-87 onwards and by 1983-94 the net worth of the company was became positive. After its satisfactory performance for 2 more years, the company was declared economically viable in February 1996 and discharged from the purview of BFIR.

In pursuance of disinvestment policy, Government of Karnataka transferred 20% share held by K.A.I.C. in the company to farmers in the year 1995. The stake of Government of Karnataka was further reduced to 6.38% with the allotment of shares on preferential basis in the year 1995. Shamanur Group holds substantial and controlling interest in the Company and the day-to-day affairs are managed by Sri. Ganesh, Managing Director.

(b) Expansion/evaluation of D, S, C, L projects
During the year 1998, the Company took up expansion/modernization of the plant to double the crushing capacity from 1250 TCD to 2500 TCD in two phases at a total cost of Rs.26.64 Crores. The project was funded by term loans from IDBI 10.75 Crores SDF Rs.7.89 Crores, Promoters’ contribution/ internals accruals Rs.4.00 Crores and the bridge finance of Rs. 4.00 Crores from Bapuji Co-operative Bank. The expansion/modernization project of the plant was completed from 31.03.2001. The plant is presently operating at 2500 TCD. The IDBI Term loan of 10.75 Crores is fully repaid in January’2005. The repayment of SDF Loan (extended on soft terms-present rate of interest 4% p.a. w.e.f., 21st October, 2004) in 5 equal installments would start one year after closure of IDBI Loan i.e., from 2006 onwards.

The sugar expansion project enhancing capacity from 2500 TCD to 3500 TCD is also in advanced stages and is scheduled to be commissioned by September 2005. This sugar expansion project cost of Rs. 36.40 Crores is funded with promoters’ contribution of Rs. 9.22 Crores and the term loan assistances from IDBI Rs. 15.00 Crores & SDF soft loan of Rs. 12.18 Crores. The company had so far availed Rs. 11.00 Crores respectively from IDBI & SDF.

The company had commissioned 24.45 MW multi fuel co-gen power plant on 24th March'2004 at the existing sugar plant at a project cost of Rs. 74.45 Crores with term loan assistance of Rs.48.50 Crores availed (sanctioned Rs. 51.70 Crores) from IREDA. The project was implemented without cost/time over runs. The performance of Co-Gen Power project is well stabilized and consistently doing well with power export about 93 Million Units to KPTCL grid (till February’2005) in the very first 11 months of commissioning. By 31st March 2005 the company is confident of achieving 108 million units of net export to KPTCL Grid.

(c) Nature of the Business Carried
DSC Ltd., was established during 1970 in Kukkuwada village (Incorporation date is 28th Sep 1970). The nature of business in DSCL is as follows:
The main production of DSCL is manufacturing of sugar. Their main input for production is sugarcane. Sugarcane is the major Raw material for the production of sugar and for the production of sugarcane irrigation facility is very important. In this area Bhadra canal water is flowing it is important point for location of this factory. Aim to manufacturing good quantity sugar and it's by products and to give employer it to the village people. Harvesting and processing season may vary from country to country, area to area and factory to factory depending on the convenience. Usually, the harvest starts in July/ August and continues up to April /May. Some factories have the continuous supply of cane throughout the year, and they process them in whole year without leaving the factory idle.

Their sub production is power; they generate power and use it for Production of Sugar. During the season of sugar they generate power with the help of bagasse which is sub product of sugarcane. And during off season they will generate power with the help of coal. By this we will come to know that their main nature of business is production of Sugar and generation of power.

(d) Vision, Mission and Quality Policy:
1. Vision:
   - DSC has dedicated to deliver overall value to their customers, delivering high quality products, exceptional financial performance to company shareholders and complete satisfaction to cane-growers, employees and stakeholders.
   - Expansion of cane cultivation area to reach 30,000 acres of land under cane cultivation.
   - To plant, cultivate procedure, raise and trade in sugar cane, sugar beets and other crops.
   - Diversification, Ethanal, Sugar refineries, one more sugar plant, starch manufacturing unit and increase in existing crushing capacity from 3500 TCD 5000/7500 MT.
   - Enter into joint venture.
   - To expand the group of companies.

2. Mission:
   - Efficiency in production.
   - Offering quality products and value for money to the consumers.
   - Participating with the Government in policy formulation.
   - Upgradation of technology in work of changing technological need.
   - To provide better salary and welfare facilities to Employees.

3. Quality Policy:
   Regarding quality planning to provide healthy and Sulphur free sugar to the customers.

Product Profile
01) Sugar
By-Products in Sugar Industry
The main by-products of sugar manufacturing are:
- Bagasse
- Molasses
- Press mud
Statement of the Problem

Problem discovery is the first stage of any decision making and it is the main objective of monitoring research. It is the condition causing state of unrest. Identification of the problem is one of the main objectives of research. This study has been conducted in order to know the dealers’ opinions and satisfaction towards Davanagere sugar company limited with reference to Karnataka state. The present study is conducted to find out the main problem faced by the dealers, and the dealers’ satisfaction and opinion towards the company rules, regulations, and policy toward its dealers. And opinion about service provided by the company. So, this study is conducted to determine the brand loyalty and key driving forces to opinions of dealers.

Need for the Study

This project report is also concerned with marketing research. The report deals with “A Study on Dealers satisfaction towards Davanagere sugar company limited with reference to Karnataka state”, attempts have been made to analyze marketing situations and marketing problems confronted and also dealers survey has been undertaken for analyzing their opinions towards Davanagere sugar company. Suggestions have been given for adopting suitable marketing programs ensuring fair return on the capital invested on one hand and dealer satisfaction on the other hand.

Objectives of the Study

Objectives are open-ended attributes towards which the activities of the study are aimed. This provides direction to various activities. The major objectives of the study are:
- To know the dealers’ opinion and satisfaction towards Davanagere sugar company.
- To know the market share of competitive brands.
- To examine performance of Davanagere sugar company in the market.
- To determine the factor that influences dealer decision.
- To investigate the actual problem faced by Davanagere sugar company.
- To know the brand loyalty of Davanagere sugar company.
- To give effective suggestions to improve the market position of the company.
- To examine the sales performance, degree of competition, and market trend of Davanagere sugar company.

Scope of the Study

This study is on Dealers satisfaction towards Davanagere Sugar Company with reference to Karnataka state. Because, as most of the company dealers are spread over Karnataka state. This study attempts to bring about details regarding history, fundamental concepts. And also this study attempts to look into the profile of Davanagere sugar company Private Limited, market share of different brands of sugar companies, and dealer’s opinion about Davanagere sugar company product. In this research, only some of the leading dealers in Karnataka state. Especially in Karnataka Bangalore, Ballary, Tumkur, and Mysore have been taken into consideration because the competition lies in between these dealers and hence it will be easy for me to study their opinions towards Davanagere Sugar Company.

Methodology of the Study

Methodology of Data Collection

Sources of data

Study is successfully completed when the data available is appropriate and adequate.

Primary Data

The primary data were derived from the answers that respondents gave in the structured questionnaire. A telephone interview was conducted with the help of a questionnaire. The questionnaire contained 17 questions with both open-ended and closed-ended questions. The respondents were asked to give their frank opinion regarding the concerned matter and respondents have given valuable information. In order to gather pertinent information regarding opinions, the participation of dealers is necessary. Thus, for this study, the researcher opted to gather helpful information from 60 dealers. Due to various research constraints such as time and budget, the researcher decided to use a smaller sample size. All the respondents are sugar dealer considered for the study. Primary data is also collected from the executives by means of informal interviews and visual observations.

Secondary Data

Secondary data is collected from company websites and broachers. For collecting secondary data researcher used internet, magazines, newspapers, and various books. Researcher also consulted faculties for getting valuable information.

Sampling Plan

- **SAMPLE UNIT**: Karnataka state.
- **SAMPLE SIZE**: 60 Dealers.
- **SAMPLE SELECTION**: Non-probability method: Judgment sampling and Area sampling.
Non probability sampling techniques rely on researcher’s judgment. Consequently they don’t permit an objective evaluation of the precision of the sample results, and estimates obtained are not statistically able to project the population. The commonly used non probability sampling techniques convenience sampling, judgment sampling, quota sampling, and snow ball sampling.

Summary of Findings, Suggestions and Conclusion

Findings:
- In this survey we found out majority of the dealers are more experience in the sugar dealership. 49% of the dealers are 10 to 20 and 30 years of experience in this sugar business and 25% of the dealers are experience in 8 to 10 year, only 10% and bellow 10% of the dealers are the recent enterer of sugar business they are only 1to 3 year experience in this sugar business.
- From the survey it is very clear that most of the dealers have long business relationship with the davangere sugar company. 33% of the dealers are above 10years business relationship with the davanagere sugar company, and only 17% of the dealers are the recent 2 to 3 year business deal with the company.
- In this survey dealers are clearly mentioned that most of the dealers felt that the quality of the sugar influencing them to become a dealers of the company and another 25% of the dealers are considered by the brand value of the company and very low response for the company promotional activity and management.
- Majority of the dealers opinion toward quality of the sugar in davanagere sugar company is excellent and very good, only 8% of the dealers are not highly satisfied with the quality of sugar.
- Majority of dealer’s opinion toward the credit facility of the davangere sugar company is good. And another 27% of dealers feel about the credit facility of the company is an average and it is not having any special offers.
- From the survey, it’s very clear that majority of the dealer’s opinion toward the promotional activity of the company is average and another 22% of the dealers opinion towards the promotional activity of the company is very low.
- Majority of the dealer’s opinion towards price of davanagere sugar is average and 36% of the dealers are feel about price of davanagere sugar is high.
- From this survey it’s clear that majority of the dealers prefer discount from the promotional activity of davanagere sugar company and 25% of the dealers prefer offers from the company and 18% of the dealers prefer trade off from the company.
- Deilers are given by the rank that factor on influencing by dealers to purchase davanagere sugars in this way majority of the dealers are given no-1 rank to the quality of the sugar, and remaining the service is the second rank, and credit facility of the company they are given by 3rd rank in the rank order, and demand of the product, availability and price are occupied by the lost in the rank order.
- In this survey majority of the dealers are satisfied about business relationship with the davanagere sugar company and 34% of the dealers opinion that they are highly satisfied with the davanagere sugars.
- In this survey, majority of the dealers clearly mentioned that the davanagere sugar company will supplied the expected quantity of sugar in timely, and another 16% of the dealers are mention that company will not supplied the expected quantity of sugar in timely.
- From this survey it is clear that majority of the dealers are dealing with the different sugar companies in Karnataka and another 41% of the dealers are the permanents dealers of the davanagere sugar company.
- Majority of the dealers opinion towards the davanagere sugar company will response immediately at any complaints from dealers and 32% of the dealers opinion is company will response our complaints soon.

Suggestions
- The awareness of the products of davangere Sugar Company should be enhanced through hoardings and various magazines published in local languages.
- While undertaking survey, dealer’s complaints about davanagere sugar company, some times company do not take immediate action about any completes from dealers. So it is important to identify the reason for the cause & to take necessary steps immediately.
- Davangere sugar company Pvt. Ltd. should provide more promotional activity like, discount, trade off, offers. to the dealers in order to make more sales.
- Davangere sugars must be made available in all dealers throughout the year. This would enable to increase the sales.
- It is clear from the survey that majority of the dealers are not satisfied with the price of davangere Sugar Company. Therefore, davanagere Sugar Company should provide average rate to the dealers.
- It is also necessary for the company to come up with attractive packages; that’s on 50kg and 100kg so, this can also be a promotional activity.
- They can diversify into fertilizer industry like their competitors.
- Company can expand its business to other commercial aspects like company should supply of it’s product directly on shopping malls, and retails, etc.
- The davanagere sugar company now its production capacity is little bit low, compeer to the other competitive companies market, so company must improve in the production capacity.
It is clear from the survey the majority of dealers, are not highly satisfied with the credit given by the company, therefore the company must be improve the credit period given by its dealers.

**Suggestions by the Dealers**
- Company should provide more discount, trade-off, offers, to the dealers in order to promote its sales.
- Company has to maintaining the availability of the product.
- Company has to maintain contact and long term relationship with the company dealers.
- Company has to improve the quality of the sugar.
- Company has to extend by the credit period given by the dealers.
- Company has to take back the sugar from the dealers if sales were not made.
- Company has to improve the packaging of sugars, especially on small packaging.
- Company has to start the distribution of sugars as early in morning with in 11 o clocks.
- Company has to extend the production activities to all over the year.

**Conclusion**
More than half of the dealers are satisfied with the service and benefits provided by the davangere sugar company Pvt. Ltd. and its performance. It shows that the remaining percent of respondents, expect something more in this regard. More than a sale, it is the service factor, which is given considerable importance. Most of the dealers are dissatisfied with the price of sugar and discount, trade-off, and offers provided by davangere sugars to it’s dealers. So, the company should take a serious note of this issue. In the present days dealers have become highly profit conscious. It is the general tendency of the dealer to think about the profit by the product to be high. Majority of the dealer’s opinion is that the discount and trade-off should be high. So, the company should register the dealers’ opinion for consideration. Most of the respondents are expecting more credit facilities, discount and service from the company. The company may take-up this issue for discussion in order to increase its sales and market share.

The study taken up on various aspects of the davangere sugars and presented many suggestions to the company in this regard. Though all the suggestions may not be of utmost importance, there may be a suggestion, which may help the company to think and change its present strategies related to its business operations. The researcher has revealed the expectation of the dealers to the company. The researcher concludes the study with the hope of it, benefiting the company and the dealers.

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